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REPUDIATION IN VIRGINIA.

THE Republican party authorized the issue of Treasury notes, and founded the national banking system. Besides providing a currency for the country, the purpose was to interest the people in the maintenance of public credit, and cause them to understand that their own interests were inextricably interwoven with the faith and honesty of the Government. The leaders of the people professed no apprehension on these points as to the feelings of their own party or of the Northern people. But they were in a state of chronic panic about the Democrats and the South—more especially because the Southern States had debts about which there was more or less controversy. They said that the insurrectionary States, as they called them, would be glad to repudiate the public debt of the United States, if they could. According to them, these States were full of rebels and Democrats, who longed for nothing so much as an opportunity to lay impious hands on the sacred fabric of public credit, which was to be guarded, if necessary, at the expense of another war.

And, to take a bond of fate, they passed the Fourteenth Amendment, and compelled the Southern States to adopt it before admitting them to representation in Congress—thus, in their opinion, handcuffing the Southern people, as it were, so as to render them helpless.

But all this was useless and superfluous. Every man who will give the matter a little thought will see that it is cheaper to pay the debt than to repudiate it, and therefore, if from no better motive than that, repudiation will not be attempted.

But somebody may ask, is not the Republican party the same honest, faithful, and courageous guardian of public faith and credit that it once was? Is it possible that it has lapsed from grace, let itself be corrupted, changed sides with the Democracy,

and is now battling for the destruction of what it took so much trouble to build strongly, as well in the hearts of the people as by statute law and constitutional amendment? It is not credible, the inquirer will say, that they have done this, but if they have, when, where, why, and how have they done it? It is but too true—they have done it, as is easily demonstrated.

The Republican party continued to pose before the world as the faithful and zealous guardian of public credit, till the extra session of the United States Senate commencing in March last. Then the scene shifted. A Re-adjuster appeared upon the boards. It was necessary to secure him or let him secure them, or form a coalition with him, to give them control of the Senate. Not only that—there was an election to come on in Virginia for State officers, and the legislature would have to elect a United States Senator.

Virginia was divided into three parties—the Democrats, the Re-adjusters, and the Republicans. The Democrats numbered more than either of the others, but whether more than both combined was doubtful. If a coalition could be cemented between the Republicans and Re-adjusters, they might beat the Democrats and give the control of the State to the Republicans. Away then went the clamor about the sanctity of public credit.

But the inquirer may again ask: Is it true that the Re-adjusters, as they are called, are repudiators? Do they really mean to repudiate the debt of Virginia, or any considerable part of it?

They are—they do. And to show this, let me give a history of the debt of Virginia, and then lay bare the purposes of the Re-adjusters, as developed, not in their declarations only, but by their public acts, notably the Riddleberger Bill, as it is called.

Virginia has made no debt since the war. The whole of her debt was contracted before 1861, for railroads, canals, turnpikes, public buildings, charitable institutions, etc. She has the property now for which the debt was incurred, and it is worth much more, not only for public use and the facilities for business, but in actual cash, than the amount of bonds.

On January 1st, 1861, the State owed \$33,248,141.63. On January 1st, 1870, it owed \$45,660,348—interest having accumulated during the war and the interregnum that occurred pending the reconstruction measures.

The constitutions of Virginia and West Virginia both provided for a settlement of the question of their respective liabil-

ities, and an equitable apportionment of the original debt to each.

But no such settlement was ever made, though attempted more than once, and the legislature of Virginia—the one first elected under the new constitution—was called upon to confront the question and solve the problem in the best practicable mode. The task of adjusting taxation and raising revenue was not an easy one. Civil government had been suspended. The property of the people—that which had formerly furnished revenue—was gone. How to tax what remained, and how much would accrue from any tax bill that could be passed, it was impossible to say. It was not the mere continuation of an old, regular, systematic government, with all its machinery in regular order, but it was beginning *de novo*, under exceptional and extraordinary circumstances. The result was the passage of the Funding Bill of 1871, which set aside one-third of the debt to West Virginia for the reason that she contained about one-third both of the population and territory of the old State. For the two-thirds considered Virginia's share, new bonds payable in thirty-four years with six per cent. interest were to be issued, and for the one-third assessed as the part of West Virginia, certificates were to be issued, setting forth that "payment of the amount, with interest thereon at the rate prescribed in the bond surrendered, will be provided for in accordance with such settlement as shall hereafter be made between the States of Virginia and West Virginia," and that "the State of Virginia holds said bonds, so far as unfunded, in trust for the holder or his assignees," etc.

This law was not compulsory. It tendered a settlement to the creditors, and left them to accept or reject it as they pleased. They accepted it with eagerness and brought in their bonds, which were exchanged as fast as it could be done, and until about two-thirds of the whole debt was funded.

But before the whole debt could be funded, an election for members of the legislature came on, and the Re-adjusters then made their appearance—not as a separate organization, but still adhering to one or the other of the old parties. They obtained a majority, and proceeded to arrest the future funding, thus leaving about two-thirds of the debt in the new bonds and certificates, and the other third standing in the old bonds. This last is known as the Peeler debt, and will be so described for convenience when referred to hereafter.

The coupons on the funded part of the debt were receivable for taxes and all dues and demands against the State, and so they collected themselves. But the interest on the Peeler debt has only been paid in part.

The attempt was made, in various ways, to raise revenue enough to pay it, notably by what was called "The Moffet Punch Bill." But that disappointed expectation, and the sum received from it fell far short of the estimates. Then the panic of 1873 had the same effect in Virginia as elsewhere; diminished revenues, prostrated business, destroyed sources of taxation, and still kept the State in arrears.

In 1879, what was called the McCulloch Bill was passed, and became a law. This was substantially proposed by the creditors, and was in fact a new contract between them and the State. It provided for the exchange of the bonds then outstanding for new bonds bearing three per cent. for ten years, four per cent. for twenty years, and five per cent. for ten years, making an average of four per cent. The coupons were to be receivable for taxes and all demands due the State. The debt at this time was \$29,367,958.06 of principal, as shown by the Acts of Assembly, 1878-9, p. 907.

After the whole had been exchanged, the interest for the first ten years would have been less than a million of dollars a year, and could have all been paid in full with the revenues then accruing, which were sufficient in addition to pay all the expenses of the schools, and of the government in all its branches, and leave a considerable surplus to be applied annually to the purchase and cancellation of bonds.

This bill satisfied the creditors, and it would seem that it ought to have satisfied everybody. It was earnestly hoped that it would end agitation, and forever settle the debt question in Virginia. But even before it passed, the Re-adjusters held a convention and organized as a separate party, and declared undying hostility to it. They announced their purpose to prevent its execution, and to agitate until it was rendered nugatory. But notwithstanding these threats, so acceptable was the measure that more than eight millions of bonds were issued under it, and a corresponding amount of six per cent. bonds—one-third of which were Peelers—was taken in and canceled, by which an annual saving of about \$240,000 was effected.

An election took place in November, 1879, and the Re-adjusters obtained a majority in both branches of the legislature. This, of course, stopped the further exchange of bonds, and a measure so just, so acceptable, and so generous on the part of the creditors, and so beneficial to the people, was made void.

When the Re-adjuster legislature met in December, 1879, or rather on September 30th, the end of the fiscal year, the principal of the public debt was \$29,607,309.76, having been increased a little by the funding of arrears of interest, but the annual interest charge was diminished about \$240,000. And for the year commencing October 1st, 1878, and ending September 30th, 1879, the Democrats had provided by legislation so that the sum of \$1,413,440.98 had been paid on account of interest, and the government and schools supported. With the McCulloch Bill in full operation, this would have made the surplus revenue for that year more than \$400,000, which, at the rate at which the three per cent. bonds were selling, would have bought and retired about \$700,000 of them.

All this looked favorable and satisfactory to people who really wanted the debt paid and the question settled. But the Re-adjusters were obstinately bent on not allowing any consultation or arrangement with the creditors, and were determined to go ahead regardless of them, and compel them to take whatever measure they chose to pass. Thereupon they passed the "Riddleberger Bill," as it is called, which was forcible adjustment and outright repudiation. It made no pretense of obtaining the consent of the bond-holder, but openly scoffed the idea. This bill not only provided for a reduction of the debt, but introduced the novel practice of giving the reasons for it, and of entering into explanations and details. These are strong words, but they are easily verified.

The constitution of Virginia, which each member of the General Assembly takes an oath to support, and which he is bound to obey and execute, has this provision :

"ARTICLE X., SEC. 18.—A full account of the State indebtedness, and an accurate statement of receipts and expenditures of the public money, shall be attached to and published with its laws, passed at every regular session of the General Assembly."

To do this is a constitutional duty as imperative as any other. The General Assembly *must* publish with its laws a full account

of the State indebtedness. This clause was put into the constitution that the people of the State and the outside world might know, in an authentic and reliable form, on the faith of the legislative branch of the government, the true and actual amount and condition of the State debt. When the General Assembly executes this requirement, it is on honor and under oath. Its members are estopped from saying, and cannot be permitted to do so, either in the forum of law or conscience, that they have published a false statement—that they have represented the debt to be one sum when in fact it is another. The Re-adjuster General Assembly did comply with this clause of the constitution as former bodies had done, and did inform their constituents in solemn and legal form that the amount of the principal of the debt on September 30th, 1879,—the end of the fiscal year,—was \$29,667,304.76, and published the statement with their laws. Not only that, but the Re-adjuster Second Auditor, who is the officer to regulate such matters, in his report for last year, put the debt in October, 1881, at \$29,614,793.

But having made this solemn constitutional announcement, what did the same body of men proceed at once to do? They passed the Riddleberger Bill. And I will give so much of its main features as will enable my readers to understand it.

It fixed the principal of the debt at \$19,665,196, and the interest at three per cent.—making the annual interest charge a little less than \$600,000.

How and by what process of reasoning and figuring did they get the principal down to \$19,665,196?

Recollect that one-third of the debt had already been set aside to be paid by West Virginia, and that the creditors—as far as they had acted—had agreed to this, and that the public debt was treated and considered by everybody as only the remaining two-thirds. But the Riddleberger Bill knocked off at a single blow more than one-third of that two-thirds. One mode of doing this was to declare in the preamble:

“Whereas, it is confidently believed that the people of this State will never acquiesce in any settlement which shall obligate them and their posterity to pay *any* part of the interest upon the public debt which accrued during the war and the period of reconstruction.”

Why should interest accrued during the period of reconstruction not be paid? The reconstruction measures consisted of the

Thirteenth, Fourteenth, and Fifteenth amendments to the Constitution, and the legislative enactments by which the State of Virginia was admitted to representation in Congress.

The Thirteenth Amendment converted the colored man from a slave into a freeman, from a chattel into a citizen, from a subject of taxation into a tax-payer, from a dead weight into the lever that lifted the Re-adjusters into power.

Then can that justify the non-payment of interest? The Fourteenth Amendment announces, in the form almost of a dogma, the sanctity of public obligations. Surely that could never make a good excuse for repudiation.

The Fifteenth Amendment gave the colored man the right of suffrage: do you say, gentlemen Re-adjusters, that on this account no interest must be paid on a just debt?

The State of Virginia was paying taxes toward the support of the national Government, yet had no representation in Congress. The reconstruction laws gave her this representation. And now the Re-adjusters are heard declaring that this must prevent the fulfillment of the obligations of the State to her creditors! What think you of these shams, fair-minded Republicans of the North, and just men everywhere?

But, not content with this declaration, the bill makes a willfully false statement in regard to this interest. Any one reading it would suppose that the interest for the time referred to (the reconstruction period) had not been paid in whole, or even in part. But the fact is that for the years from 1861 to 1869, inclusive, the sum of \$7,487,176.46 of interest had been paid. The bill ignores these payments altogether, and proceeds to deduct the whole interest for that time, as if none of it had been paid, and takes the entire sum from the principal. In plain words, this was a mere subterfuge—a false pretext for repudiating a portion of the principal of the debt, on a ground which, it was supposed, would commend itself to the sympathies of the people.

The preamble of the bill also recites, by way of justification, that the revenues of the State before the war were over four millions, whereas now they were only two and a half millions. But if this were so, it was, like the other excuses offered, without weight, because the interest on the debt before the war was about two millions, and it took half the entire revenue of the State to pay it; but if the McCulloch Bill had been allowed to go into operation the interest would have been under one million, and

less than two-fifths of the revenue would have paid it—in other words, the ratio of interest to revenue would have been less now than before the war.

The bill proceeded to divide the debt into classes, calling one Class A, and another Class B. Class A comprised the bonds the coupons of which were receivable for taxes, dues, and other demands of the State; more than half of them bearing six per cent., and the balance three, four, and five per cent., making an average of four per cent. Class A was cut down summarily and compulsorily forty-seven per cent. To illustrate: a man had a bond of the State for one thousand dollars, bearing six per cent. interest, and could pay his taxes, or anything else he owed the State, with the coupons. The Riddleberger Bill seizes that man by the throat, and says to him, "Give up that bond, and take in place of it a new bond for five hundred and thirty dollars, with three per cent. interest, and take it also with this understanding—that it is a fundamental principle of the Re-adjuster party that the General Assembly can't pledge the revenue in advance; when your interest falls due, we will pay it—provided we don't find some use to which we prefer to devote the money in the treasury."

The scope and purpose of the bill was, after the creditor had agreed to deduct one-third of his bond and look to Virginia for only two-thirds of it, to compel him to deduct forty-seven per cent. more, and one-half of the interest.

No amount of reasoning can reconcile the published statement of the State indebtedness made under the provisions of the constitution with the Riddleberger Bill—being the acts of the same men, they cannot both be right. And if the General Assembly says on its oath and honor that the debt is more than twenty-nine millions, and then proposes to pay only some nineteen millions, they may call it "re-adjustment," "elimination," or what they please, but the world will call it by its right name—repudiation.

The Governor vetoed the Riddleberger Bill and it did not become a law, but when the Re-adjusters held their convention in June last, to lay down their platform and nominate their ticket, they re-affirmed the bill and declared their purpose to pass it substantially if they carried the State.

They nominated former Democrats for the places of governor and attorney-general, and for lieutenant-governor Mr. John F.

Lewis, an ex-United States senator, and now the United States marshal of the western district of Virginia, who was a Union man during the war, has been a Republican ever since, and is now a Stalwart.

In the August following, the Democrats held their convention; declared for payment of the debt and the maintenance of the credit of the State; and nominated John W. Daniel, who, as a member of the State Senate, had always been one of the leading champions of that cause.

Still later the Republicans held their convention, the proceedings of which were watched with great interest. What would they do? Would they put up a ticket of their own, or indorse the Re-adjusters? The Democratic party being divided, it looked as though the Republicans might carry the State, with a good ticket and a strong and united effort. But the question was not long in being decided. The Re-adjuster ticket and platform were adopted, and a coalition was effected between the Re-adjusters and Republicans. The canvass was active—the debt and the Riddleberger Bill forming the chief issues. The Republican party lent its earnest aid to the Coalitionists in every form. Prominent Republicans wrote letters, the patronage of the general Government was used with powerful effect—the national committee took part, office-holders contributed, and Mr. Green B. Raum, the Commissioner of Internal Revenue, went into the State and made speeches, though in a published letter he had previously pronounced such conduct immoral. Even one of the United States Judges descended from the bench and contributed “to cement our coalition”—to use his own words.

The vote, in round numbers, was:

Coalition	112,000
Democratic	100,000

being a Democratic gain of about three thousand, and a Coalition loss of about four thousand, on the presidential vote of 1880.

The Coalition vote consisted of about eighty-five thousand Republicans—nearly all colored men—and about twenty-seven thousand Re-adjusters. And I speak entirely within limits when I say that the one hundred thousand Democrats owned three-fourths of the property and paid three-fourths of the taxes of the State. Of the colored people,—and I say this without mean-

ing to disparage them,—few pay any portion of the tax that goes to pay the State debt, and those few in small sums. And thus this extraordinary spectacle was presented: the people who would have had the debt to pay, and were striving to be allowed to do so, were prevented largely by the votes of non-tax-payers, many of whom do not now, and never have paid, and never will pay, any part of the debt, powerfully backed up by the Republican party and Federal patronage.

Was there any real excuse in the actual condition of the State of Virginia for this agitation of the debt question and proposed “elimination” of so much of it, and for the part the Republican party played? None whatever.

When the creditors agreed to look to Virginia for two-thirds of the debt, and to take West Virginia certificates for the other third, Virginia made an excellent bargain. For she held all the assets of the old State, the capital, the chief cities, the penitentiary, the asylums, the institutions of learning, nearly all the railroads, the navigable rivers, and the great harbor of Norfolk, the value of which, as a source of future wealth and development, cannot be estimated. Therefore she at least ought to have been satisfied, especially as the creditors were.

Then how does it stand in regard to ability to pay without onerous taxation?

The State of Virginia never had such prospects as she has now. In general development, in the growth of enterprise and industry, in the construction of railroads, in the opening of mines, in the increase of her cities and her population, in the amount of money coming to her from outside, she stands better than she ever did at any period of her past history.

Without any increase of taxation, the revenues would have been ample for the payment of all the interest on the debt under the McCulloch Bill, and for all other purposes, as the following statement will show:

The debt under the McCulloch Bill, including some arrears of interest to be funded, would have been about \$33,000,000. General Mahone, at the time of the passage of that bill, put it at \$32,977,090.02.

For the first ten years, the interest would have been three per cent. When, therefore, the whole was funded, the annual interest charge would have been \$990,000. The expenses of the government for “regular purposes” for the year ending September 30th,

1881, were, according to the report of the First Auditor, who is a Re-adjuster, \$761,650.13, and for Public Free Schools (including arrearages), \$564,672.75. Then the total expenditures of the State would be as follows:

Support of the Government, say.....	\$ 765,000
Public Schools and Arrearages.....	565,000
Interest on Public Debt.....	990,000
<hr/>	
Total.....	\$2,320,000

The same report shows that the net revenue for the same year was \$2,606,425.36. Subtract the expenses—\$2,320,000.00—and the balance in the Treasury would have been \$286,425.36, which could have been applied to the purchase and redemption of bonds.

The sum which appears by this report to have been collected from railroads is only \$44,463.21, but a subsequent report shows that hereafter the railroads will annually yield about \$138,000, making nearly \$100,000 to be added to the revenue.

In point of fact, during the past fiscal year, the same report shows that the actual outlay—including \$1,002,703.78 for interest on the debt—was for all purposes \$2,281,890.43, and the balance in the treasury at the end of the year was \$330,417.79, which should have been applied to the payment of the public debt in some form, as there is no other use for it.

The McCulloch Bill was a Democratic measure, and was accepted by the creditors. It was defeated by the Re-adjuster party, on the alleged ground that the people could not pay the amount it fixed, yet they are paying now each year more interest than it required, and have a surplus in the treasury.

At the session of the General Assembly 1879–80, when the Re-adjusters had a majority in both houses, they failed to pass any appropriation bill, and, as the charitable institutions were thus left unprovided for, great trouble and embarrassment were likely to ensue. No other explanation of this failure can be given than the determination that no opportunity should be given to devote the surplus which it was quite certain would exist to paying either principal or interest of the public debt.

The coalition carried the State, and has produced a breed of bastard Republicans, the progeny of Federal patronage and

repudiation, who have deserted the Democratic party, and yet say they have not gone to the Republicans. The present effect has been to give the Republicans increased strength in both houses of Congress. What the ultimate result will be remains to be seen. That the stain of repudiation will stick to and burn the Republican party, as the shirt of Centaur Nessus did Hercules, I fully believe.

JOHN W. JOHNSTON.